
WORLD OF CHILDREN, INC.

FINANCIAL STATEMENTS

March 31, 2018

(WITH COMPARATIVE TOTALS AS OF MARCH 31, 2017)

CROSBY & KANEDA
Certified Public Accountants

Dedicated to Nonprofit Organizations

WORLD OF CHILDREN, INC.

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INDEPENDENT AUDITORS' REPORT

Board of Directors
World of Children, Inc.
Laguna Hills, California

Report on the Financial Statements

We have audited the accompanying financial statements of World of Children, Inc., which comprise the statement of financial position as of March 31, 2018, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of World of Children, Inc. as of March 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the World of Children Inc.'s March 31, 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 12, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Croby & Lameda CPAs LLP

Oakland, California

October 15, 2018

WORLD OF CHILDREN, INC.

Statement of Financial Position
March 31, 2018
(With Comparative Totals as of March 31, 2017)

	<u>2018</u>	<u>2017</u>
Assets		
Current Assets		
Cash	\$ 562,755	\$ 746,054
Certificates of deposit	104,232	104,191
Pledges receivable	7,000	41,000
Inventory	59,840	51,010
Prepaid expenses	142,531	141,384
Total Current Assets	<u>876,358</u>	<u>1,083,639</u>
Property and equipment, net (Note 3)	14,800	10,288
Deposits	7,086	2,325
Total Assets	<u>\$ 898,244</u>	<u>\$ 1,096,252</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 51,976	\$ 35,967
Grants payable	323,000	500,063
Accrued vacation	5,546	1,095
Deferred revenue	254,384	156,806
Total Liabilities	<u>634,906</u>	<u>693,931</u>
Contingencies (Note 4)		
Net Assets		
Unrestricted (Note 5)	148,182	392,321
Temporarily restricted (Note 6)	115,156	10,000
Total Net Assets	<u>263,338</u>	<u>402,321</u>
Total Liabilities and Net Assets	<u>\$ 898,244</u>	<u>\$ 1,096,252</u>

See Notes to the Financial Statements

WORLD OF CHILDREN, INC.

**Statement of Activities
For the Year Ended March 31, 2018
(With Comparative Totals for the Year Ended March 31, 2017)**

	Unrestricted	Temporarily Restricted	Total	
			2018	2017
Support and Revenue				
Contribution and grants	\$ 285,045	\$ 10,000	\$ 295,045	\$ 379,268
Special events, net (Note 7)	998,803	105,156	1,103,959	1,041,536
In-kind contributions (Note 9)	156,557		156,557	209,181
Interest	296		296	292
Miscellaneous	4,711		4,711	5,057
Net assets released from donor restrictions (Note 6)	10,000	(10,000)	-	-
Total Support and Revenue	<u>1,455,412</u>	<u>105,156</u>	<u>1,560,568</u>	<u>1,635,334</u>
Expenses				
Program	1,361,446		1,361,446	1,530,555
Management and general	131,943		131,943	94,408
Fundraising	206,162		206,162	202,905
Total Expenses	<u>1,699,551</u>	<u>-</u>	<u>1,699,551</u>	<u>1,827,868</u>
Change in Net Assets	(244,139)	105,156	(138,983)	(192,534)
Net Assets, beginning of year	<u>392,321</u>	<u>10,000</u>	<u>402,321</u>	<u>594,855</u>
Net Assets, end of year	<u>\$ 148,182</u>	<u>\$ 115,156</u>	<u>\$ 263,338</u>	<u>\$ 402,321</u>

See Notes to the Financial Statements

WORLD OF CHILDREN, INC.

**Statement of Cash Flows
For the Year Ended March 31, 2018
(With Comparative Totals for the Year Ended March 31, 2017)**

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ (138,983)	\$ (192,534)
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Depreciation	10,289	10,289
Change in assets and liabilities:		
Pledges receivable	34,000	(16,483)
Inventory	(8,830)	(40,260)
Prepaid expenses	(1,147)	(21,099)
Deposits	(4,761)	6,629
Accounts payable and accrued expenses	16,009	17,262
Grants payable	(177,063)	1,856
Accrued vacation	4,451	(3,344)
Deferred revenue	97,578	(39,760)
Net cash provided (used) by operating activities	<u>(168,457)</u>	<u>(277,444)</u>
Cash flows from investing activities		
Purchases of property and equipment	(14,800)	-
Purchases and redemptions of certificates of deposit, net	(42)	(42)
Net cash provided (used) by investing activities	<u>(14,842)</u>	<u>(42)</u>
Net change in cash	(183,299)	(277,486)
Cash, beginning of year	<u>746,054</u>	<u>1,023,540</u>
Cash, end of year	<u>\$ 562,755</u>	<u>\$ 746,054</u>

See Notes to the Financial Statements

WORLD OF CHILDREN, INC.

**Statement of Functional Expenses
For the Year Ended March 31, 2018
(With Comparative Totals for the Year Ended March 31, 2017)**

	Program	Management and General	Fundraising	Total	
				2018	2017
Salaries	\$ 394,187	\$ 40,018	\$ 40,018	\$ 474,223	\$ 372,412
Employee benefits	8,127	2,685	1,016	11,828	3,733
Payroll taxes	30,751	3,844	3,844	38,439	31,332
Total Personnel	<u>433,065</u>	<u>46,547</u>	<u>44,878</u>	<u>524,490</u>	<u>407,477</u>
Grants	314,234	-	-	314,234	522,800
Legal	8,105	1,013	1,013	10,131	12,080
Accounting	-	20,575	-	20,575	10,900
Professional fees	37,703	480	480	38,663	94,043
Promotion and production	146,882	559	61,592	209,033	239,957
Rent	41,254	5,157	5,157	51,568	44,190
Informational technology	50,493	6,312	6,312	63,117	102,489
Travel and meals	95,915	11	24,297	120,223	97,194
Office expenses	14,549	29,054	2,557	46,160	39,674
Dues, licenses, service fees	113	550	48	711	7,106
Insurance	6,506	8,726	784	16,016	13,432
Honoree workshops	5,292	-	588	5,880	12,256
Depreciation	8,231	1,029	1,029	10,289	10,289
In-kind expenses	103,660	-	45,497	149,157	209,181
Professional development	-	-	-	-	4,280
Office relocation	95,444	11,930	11,930	119,304	-
Bad debt	-	-	-	-	520
Total Expenses	<u>\$ 1,361,446</u>	<u>\$ 131,943</u>	<u>\$ 206,162</u>	<u>\$ 1,699,551</u>	<u>\$ 1,827,868</u>

See Notes to the Financial Statements

WORLD OF CHILDREN, INC.

**Notes to the Financial Statements
For the Year Ended March 31, 2018
(With Comparative Totals for the Year Ended March 31, 2017)**

NOTE 1: NATURE OF ACTIVITIES

World of Children, Inc. (the Organization) is a non-profit corporation originally organized in Ohio and since 2007 headquartered and qualified to do business in California. It is dedicated to improving children's lives by identifying and recognizing individuals whom we determine to be doing extraordinary work on behalf of children in need. We are committed to search the world for those who meet our criteria for selfless change makers, and we endeavor to leverage and advance their work by providing visibility and grant funds.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis of Presentation

The Organization presents information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The three classes are differentiated by donor restrictions.

Unrestricted net assets – consist of resources which have not been specifically restricted by a donor. Unrestricted net assets may be designated for specific purposes by the Organization or may be limited by contractual agreements with outside parties.

It is the policy of the Board of Directors (the Board) to use 100% of public contributions to promote and advance programs of honorees which may include cash grants issued directly to honorees. As a result, the Board designates all unrestricted public contributions for the purpose of honoree programs and awards.

In addition, the Board makes contributions to cover 100% of management and general, and fundraising expenses (overhead expenses). Amounts contributed by the Board in excess of overhead expenses remain as unrestricted – board designated net assets.

Temporarily restricted net assets – represent contributions and other inflows of assets whose use is limited by donor-imposed stipulations that expire by the passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations.

Permanently restricted net assets – represent contributions and other inflows of assets whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization, other asset enhancements and diminishments subject to the same kinds of stipulations or reclassifications from or to other classes of net assets as a consequence of donor-imposed stipulations. There were no permanently restricted net assets as of March 31, 2018.

WORLD OF CHILDREN, INC.

**Notes to the Financial Statements
For the Year Ended March 31, 2018
(With Comparative Totals for the Year Ended March 31, 2017)**

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period the promise is received. Conditional promises to give are not recognized until they become unconditional; that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of contribution. Contributions to be received after one year are discounted at an appropriate rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Unrestricted contributions and grants are recorded as unrestricted revenue when received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Pledges Receivable

The Organization considers all pledges receivable to be fully collectible at March 31, 2018. Accordingly, no allowance for doubtful accounts was deemed necessary. If amounts become uncollectible, they are charged to expense in the period in which that determination is made.

Income Taxes

The Internal Revenue Service and the California Franchise Tax Board have determined that the Organization is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and the California Revenue and Taxation Code Section 23701(d). The Organization has evaluated its current tax positions as of March 31, 2018 and is not aware of any significant uncertain tax positions for which a reserve would be necessary. The Organization's tax returns are generally subject to examination by federal and state taxing authorities for three and four years, respectively after they are filed.

Contributed Services

Contributed services are reflected in the financial statements at the fair value of the services received only if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements

WORLD OF CHILDREN, INC.

**Notes to the Financial Statements
For the Year Ended March 31, 2018
(With Comparative Totals for the Year Ended March 31, 2017)**

and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Organization determines the fair values of its assets and liabilities based on a fair value hierarchy that includes three levels of inputs that may be used to measure fair value.

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

Level 2 - Inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly.

Level 3 - Unobservable inputs for the assets or liability.

The Organization had no assets or liabilities recorded at fair value on March 31, 2018.

Concentration of Credit Risk

At times, the Organization may have deposits in excess of federally insured limits. The risk is managed by maintaining all deposits in high quality financial institutions.

Inventory

The Organization reports inventory at cost, computed on the first-in, first-out basis.

Property and Equipment

All acquisitions of property and equipment in excess of \$5,000 and all expenditures for repairs and maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are stated at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives on the property and equipment.

Website

6 years

Expenditures for major renewals and betterments that extend the useful lives of the property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. Management reviews long-lived assets for impairment when circumstances indicate the carrying amount of the asset may not be recoverable.

Deferred Revenue

Deferred revenue represents sponsorships received for the 2018 Hero Awards and Annual Golf Events which took place after year end.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

WORLD OF CHILDREN, INC.

**Notes to the Financial Statements
For the Year Ended March 31, 2018
(With Comparative Totals for the Year Ended March 31, 2017)**

Prior Year Summarized Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended March 31, 2017, from which the summarized information was derived.

Reclassifications

Certain accounts in the prior year's summarized information have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Subsequent Events

The Organization has evaluated subsequent events and has concluded that as of October 15, 2018, the date that the financial statements were available to be issued, there were no significant subsequent events to disclose.

NOTE 3: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at March 31:

	<u>2018</u>	<u>2017</u>
Website	\$ 14,800	\$ 61,733
Less accumulated depreciation	<u>-</u>	<u>(51,445)</u>
Total	<u>\$ 14,800</u>	<u>\$ 10,288</u>

NOTE 4: CONTINGENCIES

Contributions and grants require the fulfillment of certain conditions as set forth in the instrument of gift. Failure to fulfill the conditions could result in the return of the funds to the funders. The Organization deems this contingency remote since by accepting the contribution and grants and their terms, it has accommodated the objectives of the Organization to the provisions of the gifts. The Organization's management is of the opinion that the Organization has complied with the terms of all contributions and grants.

NOTE 5: UNRESTRICTED NET ASSETS

Unrestricted net assets were available as follows at March 31:

	<u>2018</u>	<u>2017</u>
Board Designated		
Overhead expenses	\$ 110,238	\$ 163,124
Honoree programs and future awards	<u>37,944</u>	<u>229,197</u>
Total	<u>\$ 148,182</u>	<u>\$ 392,321</u>

During the years ended March 31, 2018 and 2017, 100% of overhead expenses were paid for by contributions made by the Organization's Board of Directors. Overhead expenses consisted of the following for the years ended March 31:

WORLD OF CHILDREN, INC.

**Notes to the Financial Statements
For the Year Ended March 31, 2018
(With Comparative Totals for the Year Ended March 31, 2017)**

	<u>2018</u>	<u>2017</u>
Management and general expenses	\$ 131,943	\$ 94,408
Fundraising expenses	206,162	202,905
Event cost of direct donor benefit netted against event revenue - fundraising portion	102,539	84,300
Donated website – fundraising portion	(2,220)	-
In-kind expense - fundraising portion	<u>(45,497)</u>	<u>(63,156)</u>
Total	<u>\$ 392,927</u>	<u>\$ 318,457</u>

NOTE 6: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available as follows as of March 31:

	<u>2018</u>	<u>2017</u>
Honoree restricted	\$ 105,156	\$ -
Future use	<u>10,000</u>	<u>10,000</u>
Total	<u>\$ 115,156</u>	<u>\$ 10,000</u>

Temporarily restricted net assets were released from donor restriction by incurring expenses satisfying the purposes specified by donors as follows during the years ended March 31:

	<u>2018</u>	<u>2017</u>
Honoree restricted	\$ -	\$ 156,419
Future use	<u>10,000</u>	<u>10,000</u>
Total	<u>\$ 10,000</u>	<u>\$ 166,419</u>

NOTE 7: SPECIAL EVENT

The Organization held three special events during the year. Activity related to the events was as follows during the year ended March 31:

	<u>2018</u>	<u>2017</u>
Admission	\$ 178,610	\$ 210,375
Donations and sponsorships	1,197,691	1,017,161
Merchandise sales	52,806	60,100
Auction proceeds	16,650	22,700
Raffle	<u>-</u>	<u>12,200</u>
Total event proceeds	1,445,757	1,322,536
Less: Costs of direct donor benefit	<u>(341,798)</u>	<u>(281,000)</u>
Net event proceeds	<u>\$ 1,103,959</u>	<u>\$ 1,041,536</u>

NOTE 8: JOINT COSTS OF ACTIVITIES THAT INCLUDED FUNDRAISING APPEALS

The Organization engaged in various activities that included both program related activities as well as a fundraising appeal. The costs of these activities were allocated between program and fundraising expense as follows for the year ended March 31, 2018:

WORLD OF CHILDREN, INC.

**Notes to the Financial Statements
For the Year Ended March 31, 2018
(With Comparative Totals for the Year Ended March 31, 2017)**

	<u>Program</u>	<u>Fundraising</u>	<u>Total</u>
Honoree media	\$ 26,445	\$ 11,333	\$ 37,778
Honoree hosting	24,804	10,630	35,434
Marketing programs	26,301	11,272	37,573
Event costs:			
Cost of direct donor benefit	239,259	102,539	341,798
Other event production costs	<u>57,880</u>	<u>24,805</u>	<u>82,685</u>
Total	<u>\$ 374,689</u>	<u>\$ 160,579</u>	<u>\$ 535,268</u>

NOTE 9: IN-KIND CONTRIBUTIONS

In-kind contributions include the following for the years ended March 31:

	<u>2018</u>	<u>2017</u>
Professional services	\$ 68,658	\$ 84,341
Rent	-	8,075
Website	7,400	-
Materials and supplies	<u>80,499</u>	<u>116,765</u>
Total	<u>\$ 156,557</u>	<u>\$ 209,181</u>

NOTE 10: CONDITIONAL GRANTS PAYABLE

In addition to the grant activity reported on the Statement of Functional Expenses, the Organization made conditional promises to give to awardees totaling \$260,107. Future payments are conditioned on awardees satisfying certain programmatic outcomes.